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Message Text

SECRET

PAGE 01 STATE 300851 TOSEC 320192
42
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INFO OCT-01 ISO-00 /001 R

DRAFTED BY E:WDROGERS:CJS
APPROVED BY E:WDROGERS
S/S:MR. SEBASTIAN
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FM SECSTATE WASHDC
TO USDEL SECRETARY IMMEDIATE

S E C R E T STATE 300851 TOSEC 320192

NODIS
EYES ONLY FOR THE SECRETARY FROM UNDER SECRETARY ROGERS

E.O. 11652: XGDS-3

TAGS: EFIN, UK

SUBJECT: THE STERLING BALANCES

1. YEO NOW HAS A REPORT FROM LONDON THAT RAMSBOTHAM HAS BEEN TELLING HIS PRINCIPALS THAT THE ONLY DIFFICULTY STANDING IN THE WAY OF A SIMPLE SAFETY NET ARE ARTHUR BURNS' RESERVATIONS -- THAT THESE ARE TECHNICAL DIFFICULTIES ONLY, AND THAT ACCORDING TO RAMSBOTHAM THEY CAN BE DISCOUNTED BECAUSE QUOTE WE HAVE KISSINGER AND THE PRESIDENT ON OUR SIDE UNQUOTE. HE ALSO HAS IT THAT LEVER IS NOW PAINTING LOVELY PICTURES THAT A SAFETY NET CAN BE ARRANGED IN BASLE.

2. IT WOULD BE MISCHIEVOUS, INDEED, IF THE PRIME MINISTER AND HEALEY BECOME PERSUADED EITHER THAT THERE IS AN EASY SOLUTION AVAILABLE IN BASLE, OR THAT THERE IS A DIVISION BETWEEN YOU AND THE PRESIDENT ON THE ONE HAND AND ARTHUR BURNS ON THE OTHER, OR THAT THAT BURNS' RESERVATIONS ABOUT A SAFETY NET ARE HIS OWN AND ARE ONLY TECHNICAL. AS YOU KNOW, THE TREASURY PROPOSALS WHICH WILL BE DISCUSSED BEGINNING SUNDAY WITH THE
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BRITISH TEAM ARE FOR A LONG-TERM PROGRAM WHICH INVOLVES

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THE PHASING OUT OF STERLING AS A RESERVE CURRENCY AND
ADDITIONAL CONDITIONALITY, NOT JUST A SIMPLE SAFETY NET.

ALL OF US HERE HOPE THAT LEVER, IN PARTICULAR, CAN
RESTRAIN HIS NATURAL VOLUBILITY DURING THE NEXT SEVERAL
DAYS. WHICH, IF ALL THIS INFORMATION IS RIGHT,
COULD PROVE MORE DIFFICULT THAN MY EARLIER TELEGRAM
SUGGESTED. ROBINSON

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